“Proposal for Finance”

Hand-out for the

Property Investor’s School Tape Set

Dear Property Investor,

The following Proposal for Finance is an actual document that I created and presented to banks back in September 1992.

The format is the same as I use today.

Please note that this is not the only way of presenting information to banks. However, this document does make it easy for banks to accept your proposal.

On the Property Investor School tapes I describe which elements are important to have on your proposal, and why.

Successful investing!

Dolf de Roos

Proposal for Finance

1 Bay View Road, Cass Bay

Proposal for Finance

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Proposal for Finance

Summary: A mortgage of $95,000 is offered on a fully-let commercial property, representing 73% of the acquisition price of $130,000 or 68% of the registered valuation of $140,000. The rental of $22,000 p.a. represents a yield of 16.92%.

General description of property offered as collateral: The property is situated in Cass Bay, on the busy scenic drive between Lyttelton and Governors Bay, and constitutes the only commercial property in an exclusive residential settlement. The tenant operates the prestigious licensed restaurant "Nordt's of Cass Bay", which is well known by locals and many Christchurch residents. The property occupies the prime position in Cass Bay, with excellent access and visibility from the road, and panoramic views over the bay.

Nordt's of Cass Bay has been successfully run as a licensed restaurant by its present owner Phillip Nordt for the past two years. Prior to that, the restaurant was known as "The Three Crowned Herrings", and operated successfully on the same site for more than a decade. Consequently there is a considerable element of goodwill that has been developed over the years.

A new Auckland District Law Society lease commences on 1st October 1992 for five years, with three renewals each for further periods of five years. Copies of the first two pages of the lease are included in the appendix.

Property Portfolio Statistics and Cash Flows. The property offered as collateral will form part of a portfolio with a total valuation (excluding the Cass Bay property) of $,000. Complete details of the existing portfolio can be found in the appendix. From this it is seen that the average *remaining* lease length is 5.42 years, while the debt-servicing ratio is a healthy 2.33. Furthermore, the 1992-1993 budgeted Cash Flows are included in the appendix, showing a pre-tax surplus of more than $,000 per year.

Statement of Assets and Liabilities.

Included in the Appendix is a Statement of Assets and Liabilities, showing total assets to be $,000 and total liabilities to be $,000, leaving a surplus of assets over liabilities of $,000.

Property Portfolio as at 14th September 1992

Address	City	Business	Tenant	Code no.	Seq #	Term (yrs)	Term commenced	Term finishes	Next Rent Review	Renewals	Area (m2)	Area (sq ft)	Rental per m2	Rental per sq ft
114 Victoria St	ASH	Funeral Directors	Geoffrey Hall Funeral Service	001	01	10	01 Oct 1990	30 Sep 2000	01 Aug 1994	1 x 10	327.66	3,527	$77.15	$7.17
114a Victoria St	ASH	Engravers	Ashburton Engravers	002	01	6	01 Oct 1990	30 Sep 1996	01 Oct 1994	1 x 6	74.32	800	$67.28	$6.25
79 New Brighton Mal	CHC	Record Shop	Brashs (formerly HMV-EMI)	003	01	12	30 Nov 1985	30 Nov 1997	30 Nov 1993	nil	83.61	900	$249.25	$23.16
79 New Brighton Mal	CHC	Electronics	New Brighton Electronics	004	01	10	15 Nov 1989	14 Nov 1999	15 Nov 1993	1x10	99.87	1,075	$308.21	$28.63
20 Beresford Street	CHC	Veterinary Surgery	personal names	005	02	3	08 Jul 1990	08 Jul 1993	08 Jul 1994	1x3	148.64	1,600	$84.10	$7.81
192 Wainoni Rd	CHC	Fresh Fish Shop	personal names	006	01	5	21 Mar 1988	20 Mar 1993	21 Mar 1993	1x5	152.00	1,636	$68.42	$6.36
										Total/Av	**886.10**	**9,538**	**$118.27**	**$15.87**

Debt servicing ratio (total income divided by mortgage outgoings): ***2.33***

Average length of lease excluding renewals (weighted by rental income ***8.88*** *years*

Average length of lease excluding renewals (weighted by rental area): ***7.82*** *years*

Average length of lease including renewals (weighted by rental income) ***15.37*** *years*

Average length of lease including renewals (weighted by rental area): ***14.51*** *years*

Average length of lease weighted for area and rent ***8.79*** *years*

Average remaining length of lease (weighted by rental income): ***5.42*** *years*

Loan	Loan amount	Interest %
Mortgage Bonds	$30,000	14.70
BNZ Morgage One	$85,000	10.10
BNZ Mortgage Trust	$280,000	11.40
Bank overdraft	$0	14.50
BNZ O/D	$0	14.50
Total/Ave:	**$395,000**	**11.37**

Net pre-tax income:

Rental per annum	% (total rent)	Rental per month
$25,278.00	24.12	$2,106.50
$5,000.00	4.77	$416.67
$20,840.00	19.89	$1,736.67
$30,780.00	29.37	$2,565.00
$12,500.00	11.93	$1,041.67
$10,400.00	9.92	$866.67
$104,798.00	**100.00**	**$8,733.17**

Interest per annum	% (total loans)	Interest per month
$4,410.00	9.82	$367.50
$8,585.00	19.11	$715.42
$31,920.00	71.07	$2,660.00
$0.00	0.00	$0.00
$0.00	0.00	$0.00
$44,915.00	**100.00**	**$3,742.92**

$59,883.00	**57.14**	**$4,990.25**

Defaulting net income
$34,605.00
$54,883.00
$39,043.00
$29,103.00
$47,383.00
$49,483.00

Registered Valuation	
$247,000	
$438,000	
$63,000	
$748,000	
$395,000	**Loans:**
$353,000	**Equity:**
52.81	**% debt:**

Budgeted 1992-1993 Cashflows from Property Portfolio

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Totals
INCOME:													
Rent, Brashs	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$1,953.75	$23,445.00
Costs, Brashs	$91.29	$91.29	$91.29	$91.29	$91.29	$91.29	$91.29	$91.29	$91.29	$91.29	$91.29	$91.29	$1,095.48
Rent, NB Elec	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$2,885.63	$34,627.56
Costs, NB Elec	$124.49	$124.49	$124.49	$124.49	$124.49	$124.49	$124.49	$124.49	$124.49	$124.49	$124.49	$124.49	$1,493.88
Rent, Vet	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$1,171.88	$14,062.56
Costs, Vet	$207.48	$207.48	$207.48	$207.48	$207.48	$207.48	$207.48	$207.48	$207.48	$207.48	$207.48	$207.48	$2,489.76
Costs, G. Hall	$320.64	$320.64	$320.64	$320.64	$320.64	$320.64	$320.64	$320.64	$320.64	$320.64	$320.64	$320.64	$3,847.68
Rent + Costs, Engravers	$528.08	$528.08	$528.08	$528.08	$528.08	$528.08	$528.08	$528.08	$528.08	$528.08	$528.08	$528.08	$6,336.96
Rent, G. Hall	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$2,369.81	$28,437.72
Rent, Fresh Fish	$975.00	$975.00	$975.00	$975.00	$975.00	$975.00	$975.00	$975.00	$975.00	$975.00	$975.00	$975.00	$11,700.00
Costs, Fresh Fish	$113.00	$113.00	$113.00	$113.00	$113.00	$113.00	$113.00	$113.00	$113.00	$113.00	$113.00	$113.00	$1,356.00
Total Income:	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**$10,741.05**	**2.60**
EXPENDITURE:													
Interest, BNZ Mortgage Trust	$2,667.29	$2,667.29	$2,667.29	$2,667.29	$2,667.29	$2,667.29	$2,503.68	$2,503.68	$2,503.68	$2,503.68	$2,503.68	$2,503.68	$31,025.82
Interest, BNZ Mortgage One	$825.00	$825.00	$825.00	$825.00	$825.00	$825.00	$825.00	$825.00	$825.00	$825.00	$825.00	$825.00	$9,900.00
Interest, BNZ Bonds		$1,102.80			$1,102.80			$1,102.80			$1,102.80		$4,411.20
Rates	$517.00		$1,380.30		$517.00	$863.30	$517.00		$1,380.30		$517.00	$863.30	$6,555.20
Insurances		$1,499.50		$649.00			$1,620.33						$3,768.83
GST	$6,587.14						$6,587.14						$13,174.29
Total Expenditure:	**$10,596.43**	**$6,094.59**	**$4,872.59**	**$4,141.29**	**$5,112.09**	**$4,355.59**	**$12,053.15**	**$4,431.48**	**$4,708.98**	**$3,328.68**	**$4,948.48**	**$4,191.98**	**35.34**
Income less expenditure:	$144.62	$4,646.46	$5,868.46	$6,599.76	$5,628.96	$6,385.46	-$1,312.10	$6,309.57	$6,032.07	$7,412.37	$5,792.57	$6,549.07	.057.26
Cummulative balance:	$144.62	$4,791.08	$10,659.54	$17,259.30	$22,888.26	$29,273.72	$27,961.61	$34,271.18	$40,303.25	$47,715.62	$53,508.19	.26	

Statement of Assets and Liabilities
as at 10th September, 1992

Assets:

Property (by registered valuation):	$	,000.00
Shares (BIL, TAG, RJI)		,500.00
Equity investment in Mikimiki Wools Ltd	$	,000.00
Vehicle (Toyota Cressida OR 3800)	$	.000.00
Computer equipment	$	.500.00
Office equipment	$	.000.00
3,900 copies of Investment Guide	$	,500.00
Current Accounts		,000.00
Personal Effects	$	000.00
Debtors		,500.00
Total assets:	$	**,000.00**

Liabilities:

BNZ Mortgage Trust	$	000.00
Bank of New Zealand Mortgage One		000.00
Bank of New Zealand Mortgage Bonds		000.00
Overdraft		$0.00
Creditors		$0.00
Total Liabilities:		**,000.00**

Net Assets less Liabilities:	$	**.000.00**

Consolidated Profit and Loss Account

	1993 (projected)	1992
Income:		
Gross income, properties	892.60	218.00
Gross income, consulting	000.00	350.00
Gross income, software sales	000.00	040.55
Gross income, book sales	000.00	987.50
Total gross income	7,892.60	2,596.05
Expenses:		
Expenses, properties	$ 835.34	1,431.12
Expenses, consulting	$ 500.00	,392.56
Expenses, software sales	680.00	1,950.00
Expenses, book sales	$,000.00	$240.00
Total expenses	$ 015.34	,013.68
Gross pre-tax profit	$,877.26	$,582.37
Taxation provision:	$,400.75	1,833.43
Net after-tax profit:	**$,476.51**	**,748.94**

DEED OF LEASE

SECOND EDITION 1989

DEED made the day of 19

LANDLORD Adolf de Roos of Christchurch, Property Investor

TENANT D a duly incorporated Company having its registered office at Christchurch

GUARANTOR of Christchurch, Company Director

THE LANDLORD leases to the Tenant and the Tenant takes on lease the premises described in the First Schedule together with the right to use:

a) The Landlord's fixtures and fittings contained in the premises.

b) The common areas of the property.

c) The car parks described in the First Schedule.

FOR the term from the commencement date and at the annual rent (subject to review if applicable) as set out in the First Schedule.

THE LANDLORD AND THE TENANT covenant as set out in the Second Schedule.

THE GUARANTOR covenants with the Landlord as set out in the Guarantee in the Third Schedule

SIGNED by the Landlord Adolf de Roos

(~~by affixing its~~

~~common seal~~)

in the presence of:

SIGNED by the Tenant

(by affixing its

common seal)

in the presence of:

SIGNED by the Guarantor

in the presence of:

FIRST SCHEDULE

PREMISES: The restaurant premises comprising 635m^2 more or less situated on the corner of Bay View Road and the Governors Bay/Lyttelton Road, Cass Bay, being more particularly described as the premises located on the land contained and described in Certificate of Title 5C/114 (Canterbury Land Registry)

CARPARKS: All existing car parks forming part of the premises

TERM: Five (5) years

COMMENCEMENT DATE: 1st October 1992

FURTHER TERMS: Three (3) rights of renewal for five (5) years each

RENEWAL DATES: 1st October 1997; 1st October 2002; 1st October 2007

FINAL EXPIRY DATE: 30th September 2012

ANNUAL RENT: $22,000.00 plus GST
(Subject to review if applicable)

MONTHLY PAYMENTS OF RENT: $1,833.33 plus GST

RENT PAYMENT DATES: The 1st day of each month commencing on the 1st day of October 1992

REVIEW DATES: 1st October 1994,1996,1998,2000,2002,2004,2006,2008,2010.

PROPORTION OF OUTGOINGS: 100 %
(Clause 3.1)

DEFAULT INTEREST RATE: 20 % per annum

BUSINESS USE: Restaurant

IMPROVEMENTS RENT PERCENTAGE: 20 %
(Clause 23)

INSURANCE — Full replacement and reinstatement.

— ~~Indemnity to full insurable value~~.

(Delete one)